DATAWEAVE

CPG Whitepaper: Grocery

Inflation Accelerates Private Label Share and Penetration

What Data Reveals About the Presence of Private Label Brands on the Digital Shelf

Amid prolonged economic uncertainty, availability and affordability furthered the power and presence of private label brands in 2021, increasing their market penetration beyond expectation. Eight of the top ten brands with the highest number of SKUs carried across all grocery retailer websites in our analysis were private label goods, signaling the strength of their Share of Voice and verifying a shift in consumer preferences.

Consumers are becoming even more price-sensitive than they were at the onset of the pandemic as inflation runs rampant, and the private label brands they tried (and even enjoyed) out of necessity increase in popularity as grocery prices continue to rise. This report tracks 2021 private label penetration, the top brands' product count and share, and other pricing insights at an account and category level to understand which brands are poised for growth.

Pandemic-driven growth in online grocery has caused private label to explode

8 of the Top 10 brands with the most SKUs were private label

5 of the Top 14 grocery categories were private label

Private label packaged food saw 38% growth in value sales share in 2021

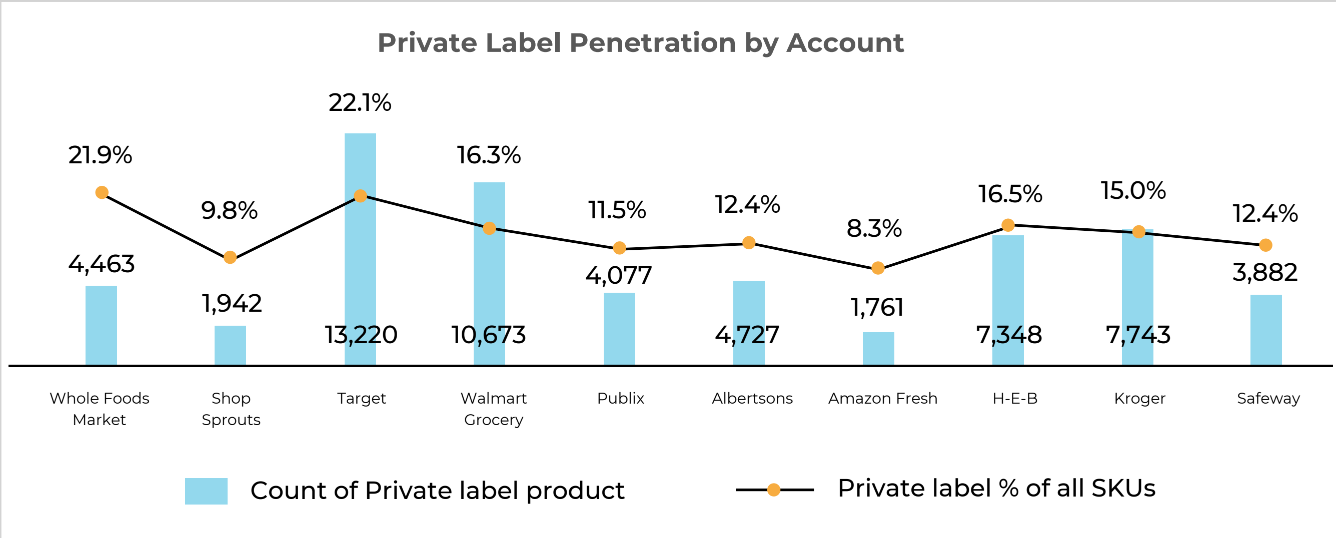
Price variation from location to location needs fine tuning

INCREASING DIGITAL SHELF SPACE FOR PRIVATE LABEL BRANDS

Prior to the Covid-19 pandemic, adoption of ecommerce in the U.S. grocery sector lagged behind other retail sectors. The pandemic quickly and significantly impacted its trajectory as grocers witnessed 20 to 30 percent of their businesses shift online amid the sudden surge in demand for contactless shopping. During 2020, online penetration in the grocery sector witnessed a threefold increase from pre-pandemic levels. At the same time, nearly half of consumers explored new private label brands online to meet their grocery needs during 2020, and many have continued using these alternatives due to continued shortages and supply chain issues brands have faced throughout the pandemic surges.

In 2020, almost two-thirds of the private label assortment was made available to grocery shoppers online, and 14 percent of private label brand sales came through online shopping. Private label brands witnessed an 80-fold increase in volume growth in May 2020 compared to January 2020, and the e-commerce channel contributed 73 percent to sales during the year due to pandemic-driven supply chain challenges. In 2021, private label brand penetration was approximately 18 percent across grocery categories, both online and in-store.

As depicted in our analysis below, on average, retailers in the U.S. carried more than 4,500 private label products online and had private label brand penetration of more than 13 percent. Our data shows that both Target and Whole Foods Market had private label brand penetration of more than 20 percent. Target had the highest number of private label SKUs (13,220), followed by Walmart Grocery (10,673), Kroger (7,743), and H-E-B (7,348).

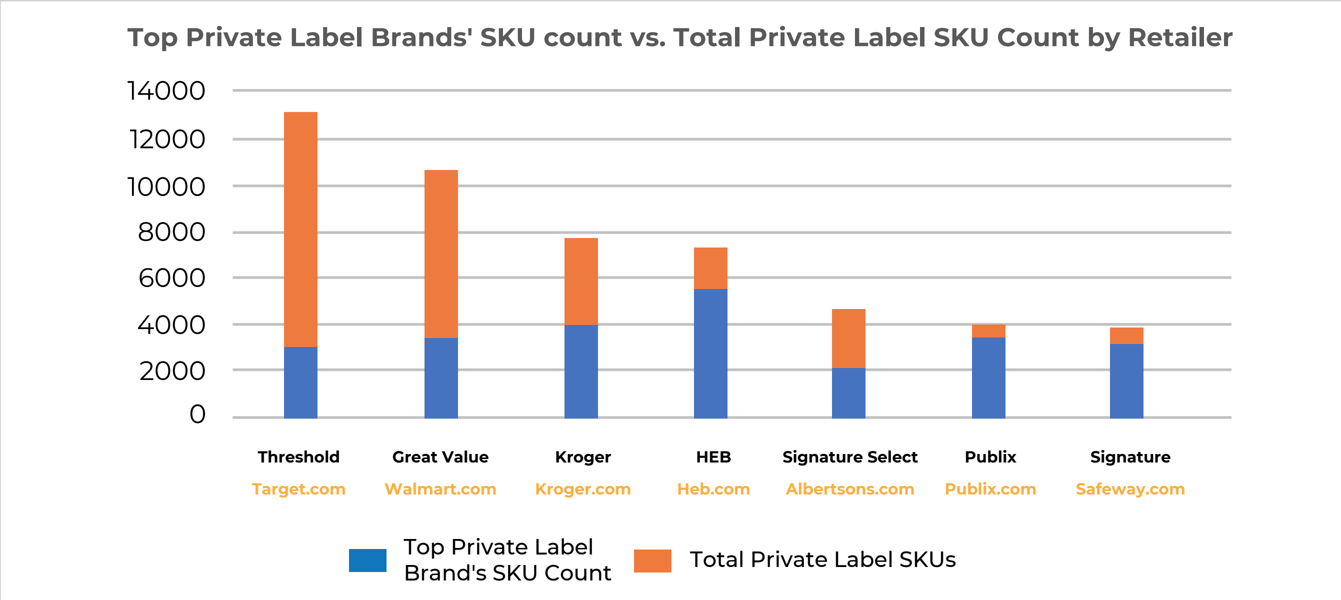


Source: DataWeave Assortment Analytics – The number of private label products and share of overall SKUs listed by leading US based grocery retailers that sell over 20,000 SKUs; Analysis taken September 14th-21st, 2021.

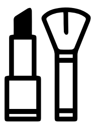
Private label sales at Albertsons and Kroger increased by more than 13 percent during 2020, and this trend will only continue to grow at a historic rate as inflation pushes consumers to buy more affordable private label products in the months ahead. Confirming this trend, Rodney McMullen, Chairman and CEO of Kroger, noted:

"Kroger's private label business picked up momentum in Q1 2021. It added 253 items to its portfolio of house brands during the period, including seasonal fresh produce and products related to summer cooking. In addition, the company witnessed strong sales of premium products under its Private Selection and Simple Truth brands as people cooked at home. The company has plans to double its digital business in the coming years."

Eight of the top ten brands with the highest SKU count within our analysis were private label brands. Publix brand and Signature at Safeway had the highest share of total private label SKUs with eighty-six and eighty-five percent respectively, while brands like Great Value and Threshold have a much smaller overall share (thirty-three and twenty-three percent respectively), but made up fifty-six percent of the total private label grocery SKUs on Walmart.com.



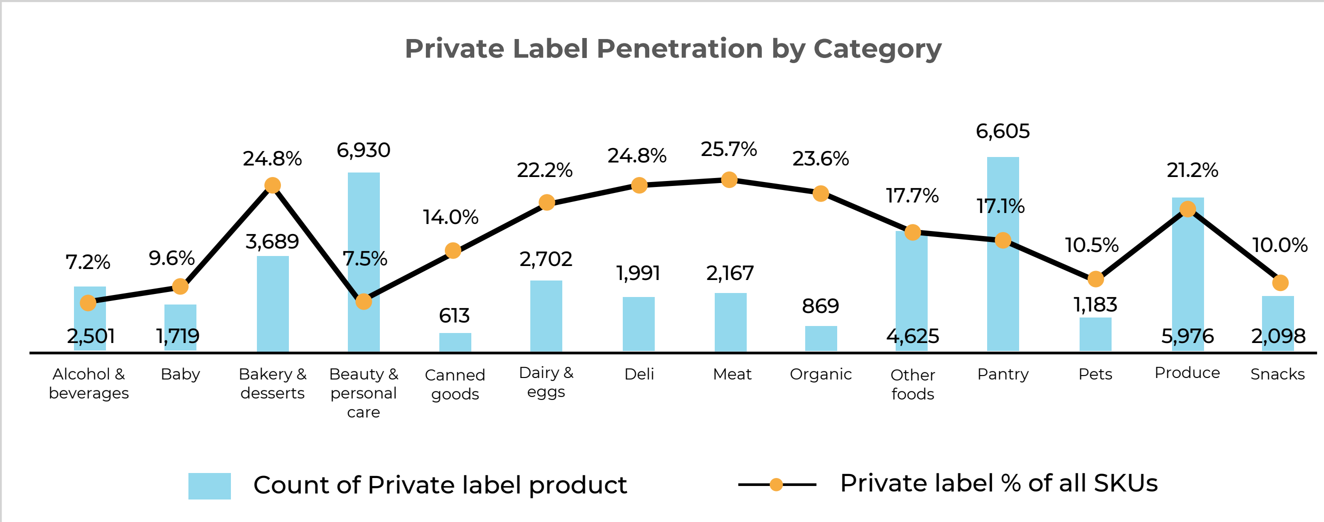
Source: DataWeave Assortment Analytics – The total number of private label products and share of top brands carried by leading US based grocery retailers that sell over 20,000 SKUs; Analysis taken September 14th-21st, 2021.



Not pictured above but interesting to note: the top two non-private label brands with the highest SKU count fell outside of perishable grocery items and within the health and beauty categories on Kroger.com - L'Oreal Paris (2,785 SKUs) and Maybelline (2,189 SKUs).

HIGH-INFLATION GROCERY CATEGORIES WITNESS AN INCREASE IN PRIVATE LABEL PENETRATION

Private label packaged foods sales have continued to witness a steady trajectory in growth during the last five years, primarily driven by convenience and cost factors. This latest surge in panic buying and pantry loading has provided an opportunity for retailers to increase brand affinity with customers throughout the category, offering opportunities for growth. In our 2021 analysis, the pantry category, which makes up a large portion of packaged food sales, had the highest number of private label SKUs—totaling over 7,500 and accounting for 17.1 percent of the total category SKU count.



Source: DataWeave Assortment Analytics – The number of private label products and share of overall SKUs listed by category tracked within leading US based grocery retailers that sell over 20,000 SKUs; Analysis taken September 14th-21st, 2021.

Private label brands also gained volume share in high-inflation food categories such as poultry, meat and frozen foods in 2021, and the trend is projected to continue in 2022. While the total SKU count is much smaller as an overall category, meat had the highest share of private label brands (25 percent) within our analysis.

The presence of private label products was the lowest in alcohol & beverages (7.2 percent) and beauty & personal care (7.5 percent) categories, indicating a strong preference for national brands, thereby showing the significance of established brand names in these categories.

PRIVATE LABELS FEATURE AMONG THE TOP 10 BRANDS

The pandemic-driven growth in online grocery shoppers granted retailers the ability to capture more attention for private label brands by featuring them more prominently within their 'endless digital aisles' than in-store opportunities provided, given reduced in-store traffic and supply constraints. With websites live 24/7, executing the right digital content strategy provides visibility to your private label products, regardless of product availability changes.

The right digital strategy allows consumers to effortlessly compare cost, package size, availabilty and ingredients in private label options, making them more likely purchase choices, especially when more popular national brands are out of stock.

Of the fourteen grocery categories reviewed within our analysis, private labels emerged as top brands in five categories. H-E-B was the only top brand to feature in two grocery categories, meat and pantry. A well-considered overarching brand architecture can enable private label brands to lead in multiple grocery categories.

Top Private Label Brand by Category

	Meat	Organic	Other Foods	Pantry	Produce
Retailer	H-E-B	Kroger	Publix	H-E-B	TARGET
Top Private Label Brand by Category	HEB	Simple Truth	Publix	HEB	Good & Gather
Top Brand's Category SKU Count	474	623	623	1657	1682
Retailer	Heb.com	Kroger.com	Publix.com	Heb.com	Target.com

Source: DataWeave Assortment Analytics – The highest SKU count brand by category tracked within leading US based grocery retailers that sell over 20,000 SKUs; Analysis taken September 14th-21st, 2021.

As for the top brands within the other categories we analyzed, nine national brands came out on top. For example, within alcohol & beverages, Starbucks was the top brand with 772 SKUs, and Albertsons.com had the highest share of their total SKU count, at around 20 percent.

National Brand Category Winners & Retailer with Greatest Share

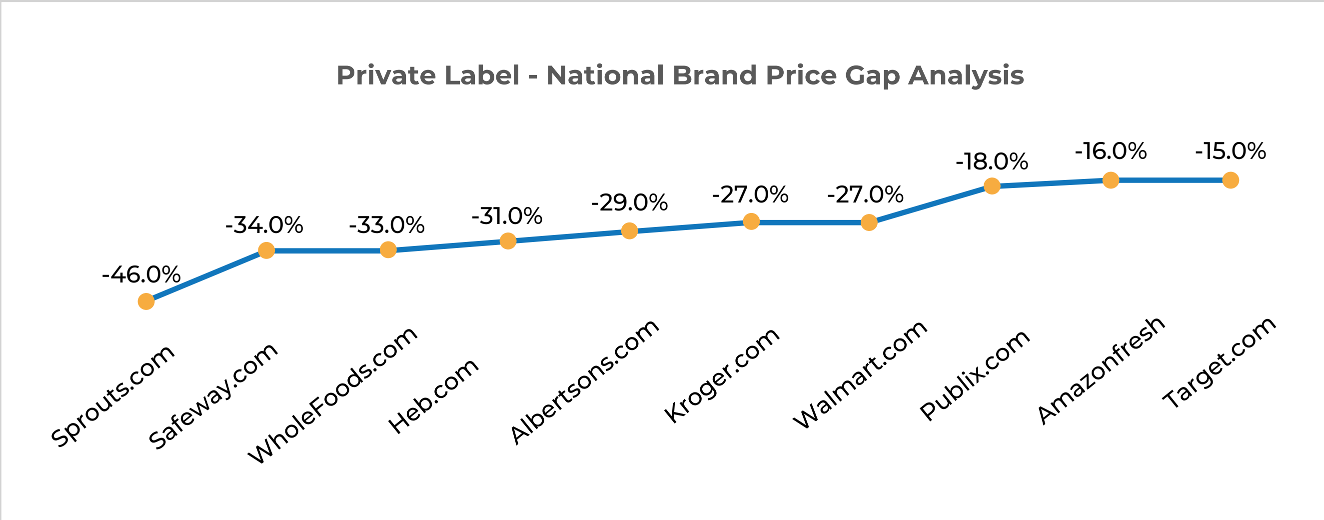
	Alcohol & Beverages	Baby	Bakery & Desserts	Beauty & Personal Care	Canned Goods
Highest SKU Count Brand in Category		Gerber	Mc	L'ORÉAL PARIS	Campbell's
Top Brand's Category SKU Count	772	1359	662	2882	475
Retailer with Highest Share of Top Brand SKU's	Albertsons.com	Walmart.com	Albertsons.com	Kroger.com	Publix.com
Top Retailers % Share of Top Brand	20.3%	22.0%	51.4%	25.1%	35.8%
Total Retail Websites carrying Top Category Brand	8	8	6	8	6

	Dairy & Eggs	Deli	Pets	Snacks
Highest SKU Count Brand in Category	Chobani	Boar's Head		Pepperidge Farm
Top Brand's Category SKU Count	604	838	628	444
Retailer with Highest Share of Top Brand SKU's	AmazonFresh	Safeway.com	Target.com	Safeway.com
Top Retailers % Share of Top Brand	17.5%	48.0%	30.4%	28.4%
Total Retail Websites carrying Top Category Brand	10	3	8	8

Source: DataWeave Assortment Analytics – The highest SKU count brand by category tracked within leading US based grocery retailers that sell over 20,000 SKUs; Analysis taken September 14th-21st, 2021.

AFFORDABILITY CONTINUES TO DRIVE PRIVATE LABEL PENETRATION

Across the 10 grocery retail chains we analyzed, private label brands were more economical, by a wide margin in most cases, than the national brands each website offers. As noted in the chart below, there was less of a price gap between Target, Amazon Fresh, and Publix private label brands compared with national brands they sell, and more of a gap at other retailers such as Sprouts, Safeway, and Whole Foods.

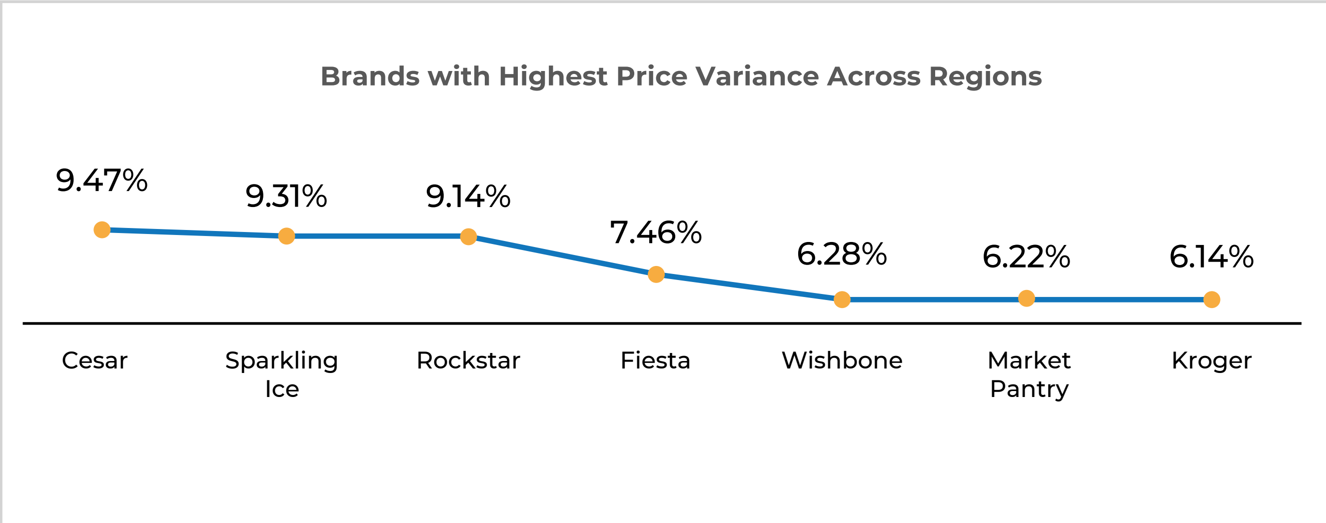


Source: DataWeave Pricing Intelligence – The price gap between private label and national brands is estimated by taking the average price of private label and national brands at the category level for each source and then taking the average category price gap within each leading US based grocery retailers that sell over 20,000 SKUs; Analysis taken September 14th-21st, 2021.

Affordability will continue to function as an accelerant for private label brands amid prolonged economic uncertainty, especially given current inflationary pressures. Nearly a quarter of households in the US affected by income loss in 2020 bought private label groceries online, furthering penetration into new demographic segments including younger and higher-income consumers.

This new consumer base, which is doing most of the online grocery shopping, is just as price sensitive to hikes, especially as they navigate retailer websites looking for consistent availability and the best value for their total basket. Given the increase in cart abandonment rates, it is more important than ever for brands to offer consistent pricing within a region to ensure localized price hikes aren't causing switching behavior.

In our analysis, we reviewed brands with the highest price variance by retailer, and found a striking phenomenon - the inclusion of private label brands. The price variance for private label brands such as Market Pantry (a Target brand) and Kroger was comparable with national brands such as Fiesta and Wishbone. Retailers that want to drive loyalty need to set and regularly enforce price-gapping measures for private label brands, and systematically compare the price of each private label brand SKU against internal and competitor product SKUs at a hyper-local level.



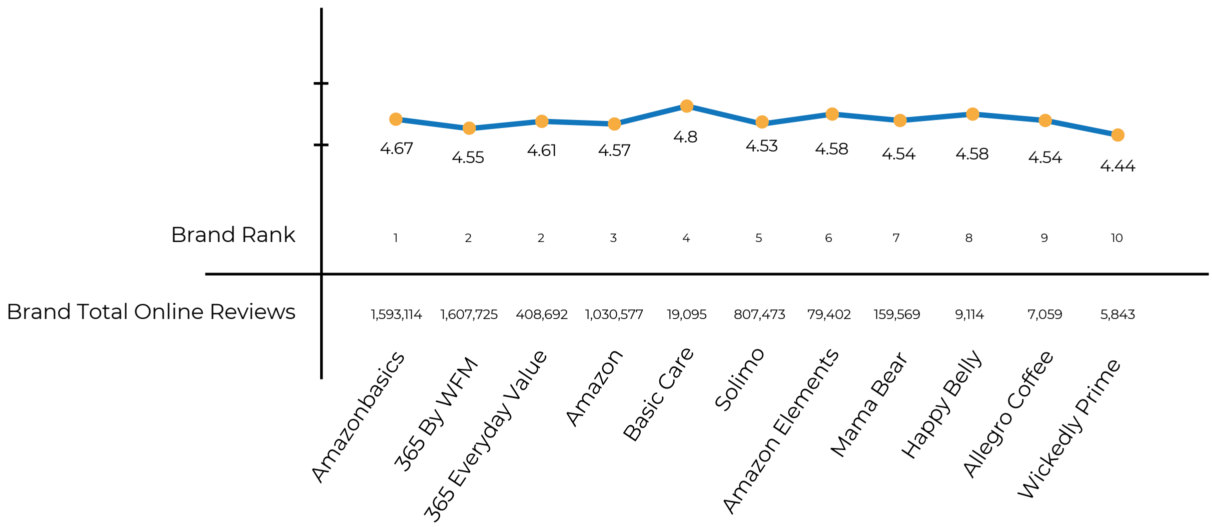
Source: DataWeave Pricing Intelligence – The price variance indicates that the price varies more from location to location for a specific retailer and is compared within US based grocery retailers that sell over 20,000 SKUs in various markets; Analysis taken September 14th-21st, 2021.

PRIVATE LABEL BRANDS INCREASE THEIR ONLINE SHARE OF VOICE

Positive quality experiences with digital shoppers have also helped private label brand's online ratings and reviews prosper, furthering their digital visibility and Share of Voice and the liklihood of consumers spending more dollars with that retailer in the future. The below shows a snapshot of private label ratings, reviews, and overall rank by retailer website for Amazon, Sprouts, and Target brands within and outside of the grocery sector, showing the top ten digital performers within each account.

amazonfresh

Private Label Online Rating, Review, and Rank

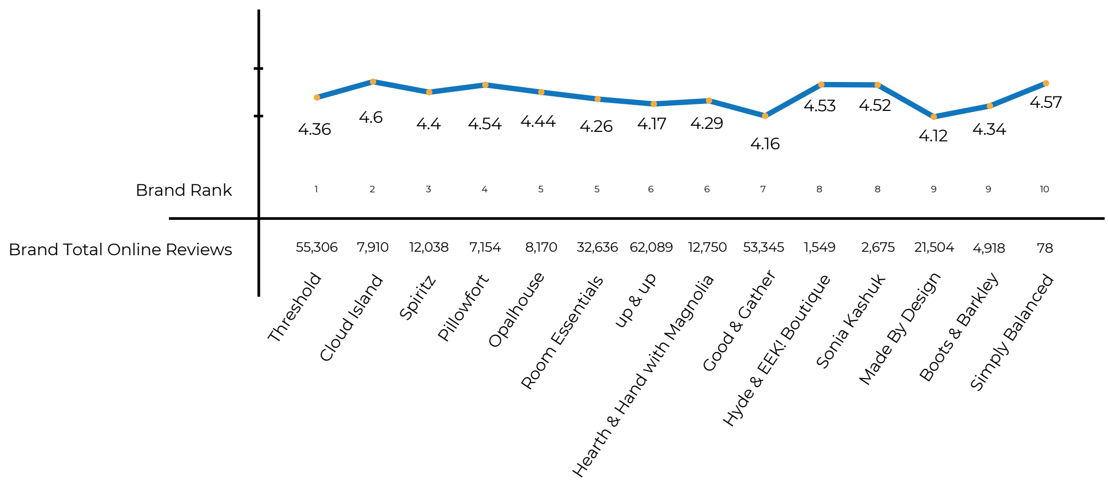


SPROUTS FARMERS MARKET

Brand Rank	Brand Total Online Reviews	Brand Online Rating
1	2,524	4.49

TARGET

Private Label Online Rating, Review, and Rank



Source: DataWeave Ratings & Reviews – An average rating and review for each private label brand tracked on Amazon, Sprouts, and Target websites taken September 14th-21st, 2021.

FOCUS ON DIGITAL SHELF OPTIMIZATION WILL ENHANCE PRIVATE LABEL GROWTH

Shifts in consumer preferences, rapid digitalization, and a greater emphasis on affordability are key trends highlighted by grocery leaders in this new normal period. Going forward, retailers will need to focus on a variety of operating models, including sourcing, product design, quality assurance, brand management, marketing, and consumer insights, as well as fill any capability gaps to ensure consumers' loyalty remains with their private label brands—especially as they engage new audiences.

Because of heightened demand, there is greater pressure on retailers to capitalize on growth opportunities by ensuring the right pricing strategy is set for private label products compared to national brands. Equally important for grocery retailers is personalizing the digital shopping experience in order to understand changes in consumer preferences for private brands across categories and encourage repeat purchases.

Financial uncertainty, rising food inflation, and supply chain disruptions continue to drive the penetration of private label brands across grocery and other categories. Online grocery shopping has also increased trial of private label products and, coupled with a positive quality experience, has provided more new opportunities for private brands. Accelerated by the pandemic, ecommerce needs to advance the way private brands are displayed online and leverage a near real-time view of stock availability to avoid out-of-stock scenarios in order to drive sales and generate more consumer trials and purchases.

Connect with us to learn how we can scale with your brand's analytical needs and support your private label growth strategy. Feel free to reach out to our Retail Analytics experts for access to more details regarding the above analysis.

ABOUT DATAWEAVE

DataWeave is a leading provider of advanced sales optimization solutions for e-commerce businesses, consumer brands and marketplaces. The AI-driven proprietary technology and language-agnostic platform aggregates consumable and actionable Competitive Intelligence across 500+ billion data points globally, in 25+ languages, with insights to performance for more than 400,000 brands across 1,500+ websites tracked across 20+ verticals, to ensure online performance is always optimized.

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